Can We Have National Planning Without a Revolution?

discussed by

LOUIS FISCHER
GEORGE SOULE
EDWARD A. FILENE

April 2, 1932

FOREIGN POLICY ASSOCIATION
Incorporated
NATIONAL HEADQUARTERS
Eighteen East Forty-first Street
New York

PROPERTY OF THE LIBRARY OF THE
1932
COLLEGE

New York Luncheon Discussion

Pamphlet No. 81
Series 1931-32
May, 1932

15c a copy

SPEAKERS' TABLE

MAXWELL S. STEWART—*of the F. P. A. Research Staff; author, Foreign Policy Report on "Britain's Financial and Economic Crisis," etc.*

H. S. PERSON—*Managing Director, Taylor Society*

PROFESSOR JOHN M. CLARK—*Professor of Economics, Columbia University; author, "Social Control of Business," etc.*

MRS. ALICE WITHROW FIELD—*Author, "Protection of Women and Children in Soviet Russia"*

ALEX GUMBERG—*A director, American-Russian Chamber of Commerce*

RICHARD H. WALDO—*President, The McClure Newspaper Syndicate*

HON. HENRY MORGENTHAU—*U. S. Ambassador to Turkey 1913-16; Chairman of the Greek Refugee Settlement Commission of the League of Nations, 1923-24*

LOUIS FISCHER—*Moscow correspondent, The Nation, since 1924; author, "The Soviets in World Affairs," "Why Recognize Russia," "Machines and Men in Russia"*

JAMES G. McDONALD—*Chairman*

GEORGE SOULE—*An Editor, New Republic; author, "Useful Art of Economics," "A Planned Society"*

EDWARD A. FILENE—*President, Wm. Filene's Sons Co.; author, "Successful Living in this Machine Age"*

ALBERT LYTLE DEANE—*President, General Motors Holding Corporation; Treasurer of the F. P. A.; author (with Henry Kittredge Norton), "Investing in Wages"*

PHILIP CABOT—*Professor of Public Utility Management, Harvard Business School; formerly of White, Weld & Co.*

MRS. VERA MICHELES DEAN—*Of the F. P. A. Research Staff; author, Foreign Policy Report on "The Political Structure of the Soviet State," etc.*

BEN JAMES—*Special writer for the New York Herald Tribune; recently spent several months travelling through Russia to Persia, Afghanistan and India*

RICHARD B. HOBART—*With Loomis, Sayles & Co., Investment Counsel*

MISS RUTH MORGAN—*Chairman, Department of International Cooperation to Prevent War, National League of Women Voters; member, F. P. A. Board of Directors*

Can We Have National Planning Without a Revolution?

MR. JAMES G. McDONALD, Chairman

THE subject of today's discussion "Can We Have National Planning Without a Revolution," perhaps requires a word of explanation as to why it is included on a Foreign Policy Association program. Ordinarily all of our subjects are clearly international on their face. This subject today may seem to some of you in this room or some of those of you who are listening in your homes to be purely a national or a domestic subject. We have felt, however, that present day experimentation in the field of national planning can be understood only in the light of what is being done in different countries; therefore, it seemed to us quite appropriate to discuss national planning at a Foreign Policy Association meeting.

The outline of our program is the presentation first of the point of view —it could not be a Russian point of view—at any rate a point of view largely influenced by the Russian idea in planning. The second speaker will present the problem from other than a Russian viewpoint, or a point of view, a non-revolutionary viewpoint, and the third speaker who opens the discussion is a distinguished American business man who will present still a third view, and then we will have the usual period of questions and answers.

The first speaker is Mr. Louis Fischer, who has studied conditions in Russia since 1922. He has been the Moscow correspondent of *The Nation* since 1924. He has contributed articles on Russia to the *New York Herald Tribune,* the *Times,* the *Evening Post,* the *Brooklyn Eagle,* the *Current History Magazine, The Independent, The Nation,* the *London Daily Herald,* and others, and he is the author of a two-volume book, "The Soviets in World Affairs" perhaps the most definitive study of Russia's foreign relations that has appeared. He is also the author of "Why Recognize Russia?" and of a new book to be issued on May 12 called "Machines and Men in Russia."*

The Foreign Policy Association considers itself fortunate in having Mr. Fischer, who knows Russia so intimately, speak first on this program. Mr. Fischer!

MR. LOUIS FISCHER

MR. CHAIRMAN, LADIES AND GENTLEMEN: The Five-Year Plan of Soviet construction has popularized the idea of planning and given it great vogue. When the Five-Year Plan was originally announced,

*Cape & Ballou, 139 East 46th Street, New York, N. Y.

the Western world greeted it with a chorus of sneers. It was regarded as a statistician's dream castle, a jumble of figures incapable of fulfillment. "You cannot plan years in advance," the so-called authorities, the seers of evil, asserted. Yet, such has been the success of Soviet industrialization under the Five-Year Plan, and such is the intensity of economic distress in other lands, that serious and progressive leaders of thought in Europe and America are advocating national economic planning.

Soviet progress is regarded more or less correctly as a challenge to the capitalist world. Capitalism accepts that challenge and prepares to enter the lists with a weapon borrowed from the challenger's arsenal, with a plan. The Red Columbus, so to speak, has stood the egg on end, and now capitalism would repeat the stunt in order thereby to solve its grievous economic problems.

Professor Beard, who, I think may be characterized as the leader of that growing phalanx of plan advocates, and the author of a recent symposium on planning, "America Faces the Future," asserts that the Bolsheviks did not invent planning. "Hints of it," he writes, "were discovered by Charles Babbage a century ago. There is nothing Russian about its origin."

This is very true and it is just this which proves the case against Mr. Beard. If planning is not new, why was it not adopted heretofore? The answer is very simple. Capitalism could not adopt it. Capitalism and planning are incompatible.

When bourgeois economists suggest the application of a plan to capitalists, they are in effect proposing a marriage between collectivism and individualism. They want to graft onions on oranges. They wish to add elephants and fountain pens. Planning and capitalism belong to two unrelated species. They cannot mingle.

The idea of planning is old. Capitalism rejected it. The practice of planning is new, very new, and unique in the Soviet Union. For the first time in history a nation's economy is being worked out according to a blueprint, according to a plan.

Professor Beard declares that planning of economy was anathema to the Bolsheviks until, "facing the task of feeding enraged multitudes, they laid aside Marx, took up Frederick Winslow Taylor, and borrowed foreign technology to save their political skins."

With all deference to Professor Beard's scholarship, I must say that not a word of this statement is true. Planning, in the first place, is in no sense synonymous with Taylorism.

Mr. Soule likewise has asserted that planning is merely an extension of Taylorism. I think not. Planning has no common denominator with

Taylorism. The quantitative difference in this case becomes qualitative. In much the same way a 60 h.p. motor is unrelated to one horse. The planning of a nation's economy is very different from the scientific management of one single plant. Unscientific management always commences at the boundaries of each private capitalist's domain.

Nor was planning ever anathema to the Communists. They preached it long before the revolution. During the period of the Provisional, the so-called Kerensky government in 1917, the Bolsheviks talked planning. In 1920 Trotsky was placed in charge of railroad reconstruction, and the first Soviet plan was drafted for that purpose.

In 1921, a State Economic Planning Commission was introduced and the electrification scheme of Lenin advertised and inaugurated. When Lenin told H. G. Wells of that plan, Wells laughed, and spoke of Lenin as "the little man in the Kremlin." But that electrification scheme has been carried out thrice over.

The Bolsheviks have had a plan every year since 1921, but an all-inclusive, all-embracing plan like the Five-Year Program became possible only in 1928, when more and more phases of Soviet economy came under the wing of the state. It was impossible to plan in watertight fashion as long as thousands of petty artisans produced their two pair of shoes per day. Planning could not have been complete while millions of peasants tilled the soil on a private, capitalistic basis. But as the state absorbed more and more features of economy in the Soviet Union, the Five-Year Plan became a realistic fact.

The Soviet Union is more than twice the size of the United States and has a larger population. Yet the Five-Year Plan provides for every ton of coal mined in that vast domain, for every log cut in Russia's tremendous forests, for every worker's home built in the frigid north or the sub-tropical south, for every ship that leaves Soviet shores, for every tractor built in Stalingrad, or Kharkov, or in Chelyabinsk, for every dollar realized by the sale of Soviet goods, be it in New York, or Vienna, or Hamburg.

The scope of the plan is decisive. Planning would be defeated in Russia, if it did not include all of industry, agriculture, banking, distribution, education, and hygiene. Soviet experience teaches that planning is not practicable unless it is all-inclusive and centralized. It is this type of universal, truly national scheme which should receive attention in planning discussions. Planning is not achieved merely by the creation of bureaus of standards, central information boards or statistical institutes.

And this is very logical. Every manufacturer has a plan. When Henry Ford makes automobiles he calculates in advance how much steel, rubber, leather, glass, coal, labor, freight space, etc., he requires for every thousand machines. Suppose he provided for everything but omitted

transportation. Suppose he provided for all his materials but failed to provide the steel. Obviously production would suffer. So too in national economy. If a government were to plan for railroads and leave out buses, water power and coal, the railroad plan would break down. There are countries with nationalized banks. The United States has a Federal Reserve System. But they have not been able to prevent depressions or to avert economic chaos. In England the telephones and the telegraphs are state-owned. In Germany the railroads are state-owned. But these circumstances have in no wise facilitated planning. Everything must be nationalized and collectively operated.

This is one important reason why we in this country cannot duplicate the Soviet planning performance. It is altogether inconceivable that during this depression or in the predictable future an American capitalist government will take over all railroads, factories, banks, grocery stores, farms, buses, etc., and operate them.

There are planners who suggest that we should confine ourselves to a national state economic board which would guide the activities of private capitalism. Suppose that board, for very good reason, decided that instead of twenty types of automobiles we should have three. Whose plants would be shut? Suppose the government board announced that we need not a thousand plants which wash coal but two hundred. Whose plants would cease operating?

To carry out such a plan a private capitalistic government would be forced into a position where it would expropriate private capital. I think that is not very likely. Or, suppose a state said: "We want more production in this field." Then the private capitalist to whom that suggestion would be made might say, "You finance increased production," and the government would be faced with the alternative of seeing its plan fail, or of doing the job itself, or of financing private initiative.

I think, therefore, that neither under capitalist government ownership nor under capitalist government guidance, or supervision, or advice is planning possible.

Some have suggested that planning might be carried out on a voluntary basis. Leave out the state and let private enterprise agree among itself. Can you see the picture now of all the railroads and all the grocerymen and bakers, all the banks and all the industrialists sitting around a table and deciding just how they would keep off one another's lawn? If Henry Ford found that there were too many Chevrolets, General Motors would obligingly cut production. If the farmer wanted more for his grain, if he wanted lower freight rates, he would merely have to ask for them. If the railroads found that buses were competing too intensely, they would write a polite note to the bus companies and the bus companies would say, "All right, we will keep out of your territory."

Every practical business man knows that not only all of business cannot agree, but even when there is an understanding between two companies, only two companies, such compacts are no sooner signed than broken. All efforts at international cartels have failed. Thomas Chadbourne has been engaged for years in truly heroic efforts to eliminate competition from the international sugar market and as yet he has not succeeded.

The reason, in my view, is simple. Competition under capitalism is the life of trade. Capitalism involves chaos, anarchy and rivalry. Even where there are no constitutional or legal restrictions to unity and accord, we don't get it. The advantages of agreement in business are so obvious that if it were possible, we would certainly have had them before, but they are not possible.

Some people submit that one of the difficulties about planning under capitalism is government bars. Professor Beard, and with him others, therefore suggests that we repeal the Sherman and Clayton Anti-Trust Acts. He regards such action as the prime prerequisite to national planning.

Now all economic depressions have been accompanied by agitation on the part of big business to let down the restrictions on mergers, on monopolies. Today big business is receiving aid from unexpected quarters, from the planners. I do not wish to intimate, of course, that Professor Beard, or Mr. Soule or Mr. Stuart Chase are consciously playing the game of the big trusts, yet, in the end we may receive that prerequisite of planning, free and undeterred trusts, bigger monopolies, without getting a plan. This is the great danger of all planning agitation in capitalist countries. It is wind in the sails of the trusts and grist for their mill.

It seems to me that is the most short-sighted, the poorest kind of economic thinking, to imagine that monopolies and greater scope to trusts can solve the problems of this depression or of the capitalist system. The very purpose of monopolies and trusts is to reduce production, to raise prices, and to increase profits. How, if we get lower production, higher prices, and greater profits, we will ever get out of the depression, I cannot understand.

People have said, "But, isn't Russia a great monopoly? Actually the Soviet economic system is one mammoth horizontal and vertical trust." There are points of similarity between Soviet economy and capitalism. They have factories; we have factories. They pay wages and so do we. They have markets. You can no more build a tractor without steel in Stalingrad than in Detroit. The Bolsheviks actually use dough to bake bread. But, to conclude from those outward similarities that Soviet economy is similar to capitalist economy is to display a colossal ignorance of Soviet conditions.

The differences are too numerous to list, but the great dynamic, distinguishing feature of Soviet economy, and, incidentally, the one most important single fact anybody can know about the Soviet Union, is that the Bolsheviks eliminate profits and that capitalism does not. That does not mean that a Soviet factory does not attempt to produce efficiently, cheaply, and at a profit. Profit is eliminated in distribution.

A merchant in New York who wishes to sell a suit says to himself, "How much can I dare to ask for this suit," while the Soviet merchant, the state, asks, "How little can I afford to take for this suit?"

A Soviet teacher, the story goes, was giving a lesson in arithmetic. "Suppose a man bought eight dozens of apples at eighteen kopecks a dozen," she asked, "and sold them at thirty-six kopecks a dozen, what does he get?"

A little boy waved his hand violently, "A jail sentence," he yelled.

Profit-making is an offense. This implies that the margin between cost of production and selling price is reduced to a minimum and, theoretically, to zero, so that labor in all its forms, be it the government official, the policeman who watches the factory, the man who turns the lathe, the director of the trust, labor in all its forms, is in a position to buy back the products of its labor. There can be no surplus of goods in Russia. There can be no overproduction. There can be no underconsumption. There, therefore, can be no depression.

Profit elimination is the keystone of planning in the Soviet Union and you cannot get planning unless you eliminate profit. Non-profit and planning are twin brothers. When the profit system goes out of the door, planning comes in through the open window. It is not necessary to plan for planning. It is merely necessary to change the basis of the economic system.

In Russia the rate of wage rises is larger than the rate of increases in production: in other words, the working man gets the better end of the deal. Here, in America, for several decades, and in all advanced capitalist countries, wages never keep pace with production. You, therefore, have depressions and overproduction. None of the planners (and there is a new great library on planning) has showed just how planning would be introduced in a capitalist country. They limit themselves to vague exhortations, to warnings, to elaborations on the shortcomings of our system regarding which, of course, there can be no dispute, but they do not demonstrate concretely, practically, in blueprint fashion, just how it could be done.

The wish to plan is not enough. We must know how to plan. I think the planners have not told us because it is impossible to plan and you can't tell us how when capitalism cannot plan. In my view capitalism is destined to wend its way forward over an unknown road. Along that

road may lie death, misery, and ruin, or new light and vigor may be its road, but whatever befalls, capitalism moves forward without a compass, without a chart, without a plan.

America faces the future blindfolded, and that is equally true of many an American economist and of many an American intellectual.

THE CHAIRMAN: As Chairman I always refrain from taking sides, but I cannot refrain from one comment on Mr. Fischer's speech, when he said that when profits go out of the door, planning comes in. I should think that perhaps most American business men would say in that case, planning must be here. But I must get on and not take this task of presiding too seriously.

The second speaker is Mr. George Soule, a member of the staff of *The New Republic* for many years, the Washington correspondent for the paper for a time, and, after war service, on the editorial staff of the *New York Evening Post;* since 1920 director of Labor Bureau, Inc., and since 1922 director-at-large of the National Bureau of Economic Research. He is the author of "Useful Art of Economics." We will not ask him to prove today that economics is a useful art. More to the point today, he is the author of a book to be published within a few weeks, called "A Planned Society."* Mr. Soule!

MR. GEORGE SOULE

MR. MCDONALD, LADIES AND GENTLEMEN: I don't want anyone to think that I am going to argue against a revolution. If this audience wants to rise en masse and go down and seize the Subtreasury or the Post Office, I won't lift a little finger to prevent it. Nor am I going to argue whether capitalism can plan because that is not the subject of the program. Most of my talk will be confined to definition of the terms. When I have defined the terms as I understand them, the answer to the question on the program may be perhaps a little clearer in our minds than it is at the moment. At any rate, then discussion may profitably begin.

What do we mean by "planning"? I don't mean a particular panacea, a specific device that can be laid out today by an individual on a blueprint and applied to a whole society. I mean a method, a technique, a deep-seated habit of human beings in tackling the problems of work and social organization which face them. In this sense planning is characteristic of almost every human society, even of some of the most primitive.

*Macmillan Company, 60 Fifth Avenue, New York, N. Y.

The self-sustaining New England farm in Colonial days was a planned economy. The rotation of crops had to be planned. The use of the land had to be planned to give the necessary amount of food to the family and to the animals. The relationship of the animals to the amount of pasture had to be planned, and the work of the farm family had to be planned. They had to be sure that there was enough in winter and that unforeseen accidents would not rob them of their sustenance.

The inventor of machinery used this deep-seated human faculty and habit of planning and organization. He took the elements which he found in nature, the various forces, the mechanical devices which had previously been invented, and organized them into a predetermined routine so that they would do work more easily.

As technique developed and as more and more machinery was produced, and as mechanical power came into greater use, the areas of human interdependence grew wider. No longer was the self-sustaining farm and the self-contained farm community the unit of economic endeavor. No longer was the single man using the tool a law unto himself. There had to be larger institutions of production, railroads, factories, commercial houses, and to this wider realm the faculty of planning and organization was again applied. These units had to be organized, planned and controlled so that those who were operating in them would not be anarchistic within the group, but would cooperate for predetermined ends.

It was not many years before there began to be developed a more exact science of management for industrial concerns; it was founded by Frederick W. Taylor in this country. It made conscious the operations which formerly had been conducted largely on the basis of habit and instinct. It began with research to find out the exact situation. It improved the material and the machines used. It standardized the operations and set tasks.

The philosophy of Taylor did not stop with the individual work place. Scientific management is not just a device for speeding up individual workers. It soon had to go on to the whole shop and then from the shop to the whole plant and lately has gone on from the plant to the great industrial organization having many units, which may be scattered all over the world.

It is commonplace to remark today that the technique which has been so successful in individual establishments has not avoided the most devastating confusion in our economic arrangements as a whole. Science, organization, planning, have not been applied in this country to foreseeing and controlling the relationships among industrial concerns, between these concerns and the institutions of credit and investment, between all these institutions and government. They have not established any rational relationship between profits, prices, and wages, or among all the many complicated elements of the economic system.

I think the sudden arising of the demand for national economic planning at the present time is not merely the result of a superficial attempt to imitate what Russia is doing, although that has, as Mr. Fischer said, played a great part in stimulating interest in the subject. It is also a perfectly natural and inevitable demand on the part of intelligent persons everywhere that the techniques which we have practiced for so long, the foresight, rationality, and organization which we have used in smaller areas for so many years, should now be applied to those broader relationships which are left in a state of chaos.

This seems to me one of the most natural ideas in the world, and I am certain that it would have arisen if there had never been any Russian revolution. I think it is arising in every country where industrialism is at all in the ascendant, and is bound to arise there. It is implicit in the system.

I don't think that anyone can predict with confidence how any one country will first begin to tackle this problem. Mr. Fischer has said that none of the planners has laid out a definite, tangible scheme for executing the planning. I beg to disagree with that. I have seen a number of definite schemes, and I think the number is likely to increase as time goes on. I haven't time in this speech to elaborate in detail a suggestion of my own (which is similar to a number of others) but I want to say something about its general characteristics.

I agree with Mr. Fischer that voluntary planning on the part of competitive, capitalistic industrial concerns is inconceivable. Or, at least, if it is conceivable, it won't work. We have to have some coordinated authority to bring these many factors together or we shall not be able to plan successfully on a national scale. The only such authority that I can conceive of is a government; if we begin to practice national planning on anything like a scale which has a chance of success, we must do so through the government. This governmental power, whatever it is, must then do a great deal to suppress individualism in industry.

I don't think that planning can come anywhere near success unless the conditions of production and distribution are so changed that speculative profits, in the broadest sense of the word "speculative," are eliminated. Profits may remain: in fact, they do remain in the Russian system. They are planned profits in that case, and are not distributed to individuals. But we may learn how to plan the use of profits in new investment. We may learn how to limit profits where it is necessary to do so in the interest of planned prices and planned wages. If we eliminate the wide vagaries of our present system, which give rise to speculative profits, we may gradually achieve a planned system which is about as far from the Adams Smith definition of capitalism as anything can well be, but which is still achieved through the effort of reason and the instinct of order.

I don't know whether that will be capitalism or not. As a matter of fact, I am not sure that I know what capitalism is. If we define capitalism as the classical economists defined it, we certainly haven't capitalism now. There are so many elements of monopoly, of governmental regulation and control, of tariffs and what-not, of all the things that Adam Smith said you couldn't have in capitalism, in existence at the present moment, that we cannot possibly conceive of the system operating as he said it would operate. Certainly a thoroughly planned economy would have much in common with any program that the Socialists have ever presented.

But I am not concerned with what you call it. It seems to me that the main drive of human intelligence and emotion today, in so far as they are concerned with social matters at all, is toward a planned and organized economic system which is directed towards collective ends. I believe that this impulse is inevitable and will be, in the end, unconquerable. It is one of the major factors of social evolution, and will be remarked more and more as time goes on. How soon it will reach its goal nobody can say. It may be a long time in the United States before anything of the sort will even be attempted, but the idea is bound to grow as experience and knowledge accumulate.

Next, what do we mean by "revolution"? I take it that the popular meaning of the term is a violent, sudden overturn of existing government by something like mob action on the part of an oppressed class. In a truer sense a revolution is something much larger than that. It is a process taking place over many years and perhaps centuries. It does involve basic changes in social organization, and the decline of some classes and the rise of others, but a revolution of this kind may be consummated and has in certain instances in the past been consummated without a violent, sudden overturn of existing government. At any rate, when violent overturns have occurred, they have usually occurred as an incident in this great process rather than as a chief activating cause. In the broader sense, we are bound to have a revolution. As a matter of fact, human civilization is almost always in the process of a revolution of this kind, simply because change is eternal.

I should say that in this country we are about halfway through a revolution from something like the primitive capitalism which Adam Smith described, to something like a planned economy such as Russia may have twenty-five years from now.

There is a further point about revolution. Violent overturns, when they occur, usually occur near the end rather than near the beginning of this great revolutionary process. They are, to be sure, characterized by an uprising of an oppressed class or classes, but by the time the revolting classes have the power to do anything except create disturbance, by the

time they are ready to aspire to control of society and have anything like the strength that enables them to carry out their ambition, they have already risen a long way from the state in which they started. They are usually not so oppressed as they were at the beginning.

At the time of the French Revolution, the French peasants were probably better off than any other peasants in Europe. Governmental reforms had begun; had gone a considerable distance. The peasants already had a good deal of the land. Russian peasants had made many advances at the time of the Russian revolution. A study of other revolutions in the past which have resulted in violence indicates that the course of affairs is, first, a long period of agitation and discontent; second, a gradual rise in power of the oppressed classes; third, an attempt to deal with this unsatisfactory situation on the part of the classes which have traditionally held power; fourth, the supremacy of the reformers in the state; and, fifth, a period in which the irresolution and ineptitude of the reformers in carrying out the necessary changes has led to a still more radical overturn, which is almost the last stage of a revolution.

This last stage doesn't always occur. It is possible that if those who want to reform a society, those who see the need for doing so, take drastic enough action, if they are constructive enough in their proposals, if they have faith enough and intelligence enough to do what needs to be done, the final stage of the revolutionary process may be omitted.

Therefore, to answer the question on the program as far as it can be answered in such a brief time, I should say that if we have national planning, it will be begun before a revolution of the sort that is popularly called a revolution, and not afterwards. I think it is inevitable that every industrial society will begin to try to plan collectively. The question whether that attempt will eventually result in a violent overturn depends entirely on how successful and how resolute are those who have charge of affairs during the period when people are attempting to put national planning into effect.

THE CHAIRMAN: In this country and in other capitalist countries it is a commonplace criticism that business men are concerned only with their own business and almost not at all with the public business. I make no answer to that general criticism, but there are certainly outstanding exceptions and in this country I know of no man who more strikingly illustrates the capacity to be at once a successful business man and a good citizen than the next speaker. Mr. Filene's business interests are country-wide. His public interests are world-wide, and his devotion to the welfare of his country and of humanity is, I think, not exceeded by that of any business man that I know. So, it is a great pleasure to present to you now Mr. Edward A. Filene.

MR. EDWARD A. FILENE

THERE is no time in the history of the world when a few men or women with absolute power could not get results more quickly by using such power than by trying to get them by democratic means and all that that implies, but it seems to me that the lesson of history is that methods and results obtained by absolutism are not as lasting as those that are obtained by evolution.

My life experience and my philosophy that has grown out of that experience, make me believe that there is a test of plans that is pragmatic, that will help us to clear our minds as to which is the better way. The definite definition of revolution seems to me to show that it is the child of pendulum thinking, the pendulum swing-back of the mind from the knowledge of injustices and wrongs, just as far to the one extreme as the wrongs have been in the other direction. So we business men, with balances of our books to look after at the end of the year, who keep our feet on the ground mentally as well as physically, are likely to ask ourselves, as I constantly do: Is there no road out along the lines that we are working on, along the lines that our daily experiences compel us to believe in? I believe there is. I think that Mr. Fischer is right when he says that the old capitalism did not promise very much in that direction, but the new capitalism today is fast dominating our country, the capitalism that turns out the biggest profits and at the same time turns out more goods for the money and pays the highest wages, that capitalism is fast dominating our country.

To take Mr. Fischer's own example, he said, "Supposing a national planning board in this country ordered, after proper investigation, that there should be only three types of automobiles instead of twenty, that couldn't be obtained." The curious thing is that it is being obtained now. Ten years ago we had about fifty automobile manufacturers. Last year Ford and General Motors produced 65 per cent of all of the automobiles produced in this country, and those two manufacturers, with one more, produced 85 per cent of all the automobiles produced in this country. Their success is due to the fact that they sell their automobiles cheaper than any of the others; that they try constantly to get their best total profit from lower and lower prices, at the same time producing buying power enough, by doing all they can to keep wages rising, to enable the masses to buy their great product, automobiles.

I haven't yet mentioned half of the results that are coming. The chief Soviet technique is the coordination of production, distribution, and finance (which is chaotic in the rest of the world, I admit, in many of its aspects) but General Motors are now putting the same scientific fact-finding research, which is the basis of their success in production, into their distribution and they are revolutionizing their distribution and will have a

lesson for all of us before they get through. Therefore, it seems to me if it is possible to see what is going on and to realize, for instance, that Ford has always coordinated production and distribution with his finance, there is a reasonable hope that we can work out the next step forward to planning, which, I believe, is essential, along the lines which our economics, our business, are now going.

Three or four years ago it would have been difficult to get more than a handful of people together to listen to a discussion of national planning. The tragic events of the last two and a half years, however—the millions out of work, with the accompanying distress, hunger and spiritual degeneration, and the loss of a great part or all of their life savings by so many of our people—have so graphically illustrated the terrific price that must be paid for a continuation of "laissez-faire," or a policy of drift, that today it is scarcely necessary for me to touch upon the *need* for national planning.

The question therefore seems to be whether we can have national planning without a *political* revolution, and whether we can make such planning effective without resort to means that are contrary to our Constitution and without resort to violence.

There are apparently two outstanding reasons for this question. The first is that Russia achieved its national planning through revolution, and that Russia is the first national government to base its existence on national planning, and is apparently making a greater success of it than was generally expected, and is keeping its population at work in this world crisis when almost every other nation has an important and dangerously large part of its workers unemployed.

The second reason is that even in our country there are so many great forces opposed to adequate effective national planning as to make legitimate the question whether these forces can be overcome without a revolution.

What are the most important of these forces?

First, there is all the conservative traditional-mindedness of our country which, however well intentioned, always opposes new plans or basically new methods, if they vary widely from the plans and methods which have been successful in the past. This conservatism is steadily and strongly reinforced by some of our best social forces, such as love or our parents, whose opinions we do not want to oppose, and also by the forces of convention and tradition and other similar factors.

The second of these forces in opposition to national planning is the dominating thinking and action of our country, which has not yet freed itself from the economics of the agrarian age, the Adam Smith economics, necessarily an economics based on scarcity and individualism, which was

effective in the past but which is no longer adapted to or effective for our Machine Age of plenty based on mass cooperation. Only a small part of business or professional men has as yet realized that in this Machine Age the greatest individual profits and the greatest individual good come only from cooperation and work for the common good.

A third opposing force is the unintelligent shortsightedness of many of our financial, our political and business leaders. Very often the men who have the most to gain from an enlightened forward-looking policy will resist the application of that policy because of their inability to think it through to its ultimate conclusion.

Even this hasty inadequate listing of forces in opposition to national planning shows sufficient strength to justify the question whether they can be overcome without political revolution. This listing shows clearly how great the efforts and how intense the struggles must be to insure victory—to overcome even the entrenched traditional-thinking forces which I have enumerated.

What can national planning do for us that is so important that we will be willing to make the extraordinary efforts, make the extraordinary struggles necessary to obtain the right kind of national planning?

In the first place, under adequate efficient national planning, we can prevent an economic crisis such as we are suffering from at present.

In the second place, we can prevent unemployment and bad business thinking, just as we have largely prevented smallpox and yellow fever. These epidemic diseases devastated cities and whole nations until scientific fact-finding showed that they were due not to witches and angry gods, as traditional thinking had believed, but to definite causes which men using science could conquer, provided they planned and worked all together.

In the third place, it will replace our out-of-date agrarian economics by a new economics which, being based on scientific fact-finding, will be adapted to our present age of abundance based on mass cooperation. This will be one of the most fundamental helps in accelerating the progress of national planning and of prosperity and international peace.

If we have convinced ourselves, as I believe we have, of the need of national planning, the question arises as to how and by whom these plans are to be made and carried out. If we are to follow the Russian example, we will have the government do it by taking over complete control and coordination of production, distribution and finance. While it is not difficult to understand why Russia's reaction to the excesses found in the system of private capital, dominated by an absolutist government, drove her to the other extreme, we must admit that our own experience has not convinced us that our political government is functioning smoothly enough to

entrust it with the full operation of production, consumption and finance throughout the nation. It is difficult to conceive of our government freeing itself from partisan and practical politics sufficiently to enable it to exercise a scientific non-partisan control over our economic activities that would enable us to supply all our own people adequately with work and buying power, and meet competition in the foreign markets. Political management, whether autocratic or democratic, we know is naturally management by opinion, while all successful industrial management must rest upon scientific fact-finding.

If we cannot turn to politics, where are we to look for an agency which is fitted to carry on a nation-wide program of economic or social planning? Business seems to be the only possible alternative. Yet when we look at business as it exists in the United States today the prospect is hardly reassuring. At best it is not functioning in a way that would encourage us to entrust to it the planning of our economic and social life as it is at present organized. Selfish interests are almost as active and almost as pernicious in local, state and national business organizations as in politics.

There is one thing about business, however, that makes reform possible to a degree adequate to get national planning well done. That is the fact that business has everything to gain by intelligent, scientific national planning. If business organizations can be altered so as to profit by the example of big organizations such as the American Telephone and Telegraph Company, the General Electric Company and the General Motors Corporation, and make all its activities dependent as they do upon research bureaus and scientific fact-finding and scientific management, it will be in a position where it can be trusted to develop adequate national planning. This is said not in a visionary or too altruistic spirit, but from the realization that business can make its greatest total profits only by paying wages high enough and making prices low enough so that the buying power and the standard of living of the entire population will be raised steadily enough to buy the steadily increasing volume of production that comes now from the marriage of the machine, in this second industrial revolution, with science.

It seems to me to be particularly important that any commission on national planning, however set up, should be safeguarded from partisan politics in much the same manner that our Supreme Court now is shielded. If we allow the membership of such a group to be determined by partisan or any other selfish class influences, it will become a commission of the type of many of the other national commissions that we have seen, and be worse than valueless. But on the other hand, a non-partisan group, made up of representatives not only of business but also of labor and agriculture and the long-suffering public, which would base its plans upon facts gained from scientific research and be strong enough to resist selfish corrupt in-

fluences, would make a significant contribution to business stability and our national welfare.

The setting up of an adequate, effective national planning organization is not going to be an easy task, but it is a practicable and realizable project, provided that business does the absolutely necessary reorganizing of itself along scientific fact-finding and scientific management lines.

Business, to succeed in this new Machine Age, must, as I have pointed out, plan for increasing the buying power of the masses as fast as the volume of production grows—must enable the masses to buy freely all that it produces, or else business itself cannot succeed. It must do this basically because it cannot in any other way make a satisfactory profit because, in order to be profitable hereafter, business must steadily raise the standard of living of the masses—must fight the public and private graft which preys on the buying power of the masses which business needs for its own success—must furnish steady work or unemployment insurance—must provide leisure by shorter working hours so that the production which is the basis both of work and profit can be bought and used—must provide cultural education for the masses so that they will not be ignorant of the lesson of history that the best and most lasting results are obtained by evolution and not revolution. Under conditions such as these, which are basic to the success of this era of the new capitalism, the lessons of history make it clear that evolution will be a far quicker and a safer road to justice and happiness and prosperity and world peace than revolution ever can or will be.

THE CHAIRMAN: I hate to disagree with my friend, Mr. Filene, but I would like to question and ask the audience here, and the radio audience, whether they share my doubts about one point that Mr. Filene made. He was listing the forces that prevent change and one of the forces that he listed was the inclination or rather the disinclination of children nowadays to disagree with their parents. I never knew before how badly a person without children could misunderstand. If all of Mr. Filene's forces against change are as slender reeds as this one, then change is going to be here very quickly indeed. Where is the first question?

DR. CHARLES MALLORY WILLIAMS: I think Mr. Fischer stated that if profits are eliminated then overproduction is going to be eliminated. *How will the mere elimination of profits enable the commission to decide on a plan for five years?*

MR. FISCHER: When you eliminate profits, you have a rising curve of production. There is no upper limit of production under a non-profit economic system. There is no upper limit to the productive capacity of in-

dustry. You, therefore, know, more or less certainly, how much you will be able to produce next year, two years from now, four years from now. It is impossible, however, to plot a declining curve of production. You can't plot a stock market crash. You can't plot a depression.

Some of the things said here today would incline one to believe that we really had a new modern capitalism, that there weren't ten million, or eight million, or eleven million unemployed today, that banks hadn't crashed, that the steel industry wasn't working at 22 per cent of capacity. The point is, now we say—it has been said today—that depressions can be eliminated under capitalism. Albert H. Wiggam, who, I think, is a good economist and capitalist, the Chairman of the Board of the Chase National Bank, said recently in Washington at a hearing of the LaFollette Commission on the National Planning Bill: "We will always have economic cycles and periods of depression and prosperity." If that is the case, then I think it is impossible to plan, simply because you cannot plan a depression. You cannot know just when it is coming, and you do not know what to do during the period of depression.

QUESTION: I ask any speaker to answer this question. *Isn't it true that under the capitalistic system more new wealth is created every year than under the other system, and the new wealth betters the entire population?*

THE CHAIRMAN: I don't know of whom to ask that question. As an absolute neutral, as between the two systems, perhaps I ought to ask Mr. Fischer to make the case for a greater increase of wealth in the Russian system than in ours.

MR. FISCHER: I think most authorities agree—I think Mr. Soule said so in a recent article in *The New Republic,* at any rate it is a fact that the advance in industrial and agricultural production in Russia since the Five-Year Plan has been larger than in any country under capitalism, than in America during its progress to the West or in England during its greatest zenith of prosperity. I think that is not accidental. It is not due only to the fact that Russia is a tremendously rich and large country. However, that is not the only issue involved.

After wealth is created, how is it distributed? It is the distribution of wealth which creates the potentiality of the creation of more wealth. Where we in this country have 60 per cent of the wealth concentrated (I think that is more or less correct, 59 per cent or 60 per cent) in the hands of 2 per cent of the population, you have a stoppage of production. There comes a time when people no longer have the wherewithal for purchasing goods. An artificial surplus of goods is created within national frontiers. What happens? We export it to foreign countries either in the form of goods or of foreign investments and, as today, in this universal crisis,

people are no longer able to pay interest or amortization on those bonds, you have a general paralysis of international economy; that is, it is not only a question of how goods are created and to what extent goods are created, but, more important than that is the distribution of wealth.

Where wealth is distributed equally, there is always the potential of more production; where wealth is distributed unequally, you get a period of so-called overproduction.

THE CHAIRMAN: I was looking around for some good capitalist to give the other answer to that and Mr. Filene indicated that he thinks he can prove capitalism produces more wealth than communism.

MR. FILENE: I will not prove anything of the kind. I think there is abundant evidence in our condition today to show that capitalism can produce all the wealth we know how to distribute and a good deal more. The question is one of distribution. The two systems come into direct conflict in regard to distribution. Our hope, and the only reason why many men like myself, and all the men at our head table, and many of you, believe that the way out is through the new capitalism is that it is working straight and fast towards the new distribution, and it is doing this on the safest of all foundations, the selfish interests of all concerned.

It is true that every one in this audience would rather have the execution of something on which they were dependent for their happiness, dependent on the self-interest of the people involved in getting it done, than on all the exhortations of morality, ethics, and philosophy that could be exerted.

The Russian distribution depends on a definite change in human nature, and the new capitalism depends on its evolution, on the direct action of the most dependable force in all of us, no matter how much we think we are reformers, and that is, selfish interests.

The new capitalism cannot exist unless the buying power of the people is large enough to insure a distribution that will make it possible for them to produce on the best and also on the conquering scale of mass production, which is no longer a production like that of the old capitalism for a class, for the rich, but is a production that can only be successful if the masses of the people can buy a million and a half Chevrolets or a million and a half Fords. Three hundred thousand or five hundred thousand or a million capitalists with enormous wealth will not make a market such as the Ford and Chevrolet have produced by which five million of our people are kept directly or indirectly at work satisfying the selfish interest of love for their families and supplying the wants of their families. Therefore, the problem is one of distribution, but the problem of distribution is now, under the new capitalism, on the safest, surest road that it has ever been on in history, a much safer and surer road than dependent on the

change of human nature of the masses of the people in a nation from utter selfishness to utter unselfishness.

THE CHAIRMAN: I think we may get a discussion here yet this afternoon. Mr. Fischer says that he thinks he would like to ask Mr. Filene a question. I think that would be good.

MR. FISCHER: Mr. Filene has spoken several times of the new capitalism. Now "new" means a year old, or two years old, or three years old. *Will he please tell us where that new capitalism has been since October 1929?*

MR. FILENE: That is not so difficult a question to answer as it seems. There is a limit to the force and capacity of any man or any organization. The new capitalism is admittedly dependent on producing the things that the people need and will be benefited by having, at lower and lower prices, and it is actuated in doing that because it has been abundantly shown by Mr. Ford, by the General Motors, and the American Telephone and Telegraph, and all the others, that in that way they do get a very much greater total profit; but less than 20 per cent of our industry has learned the new lesson. However, they are learning it fast. Those who aren't learning it, six hundred a week, are being eliminated in the bankruptcy court, and those of you who think I have my feet off the ground now mentally, have only to look to see what happens to individual grocery stores when the chain unit, which is a more scientific, better-planned method of distribution, comes and opens its doors beside them.

I think it is perfectly clear that what has happened now is not the defeat of new capitalism but simply God's way of proving to the people who are too slow, too opinionated, who think too much in the terms of their fathers and mothers, and their grandfathers and grandmothers, that they must be open-minded, they must learn what it is that makes the new capitalism succeed. When they learn, the burden on the successful capitalism will be largely eliminated and we shall go forward to those better times which I forsee.

QUESTION: *I should like to ask Mr. Fischer how many times the Five-Year Plan will have to be repeated before there will be one automobile to each six human beings in Russia as in the United States? Was the Five-Year Plan in Russia not built around a hope that its people might be raised up to the economic level of the people in these United States?*

MR. FISCHER: I think before every citizen of the Soviet Union or before one in every six citizens of the Soviet Union—will have an automobile, there will be guaranteed to every Soviet man and woman, a job. There will be communal nurseries for all children. There will be a place

in hospitals and rest homes and sanatoria, not only for the rich but for the workingman and the peasant also. There will be a rise in communal prosperity, in national prosperity, first, and then with that will come the enrichment of the individual.

I hope you do not think that Bolshevism precludes the owning of personal wealth. One may, under Soviet conditions own an automobile, own a house, own a villa, in addition to that a precious library, a gold watch, two suits of clothes, six suits of clothes. There is no upper limit to the wealth which an individual may hold, but wealth is for consumption, for use, for enjoyment. It may not become capital. The state is the only capitalist.

QUESTION: *I should like to ask how many times the Five-Year Plan will have to be repeated before the real wage of the Russian worker in purchasing power will equal that of the worker in the United States?*

MR. FISCHER: When the standard of living of the Soviet worker will reach that of the American worker depends not only on what happens in Russia, but also on what happens in America; that is, a rising curve of individual prosperity in Russia may meet a declining curve of individual well-being in this country, and where they will meet, I cannot foretell. It depends so much on world conditions, on the future of capitalism in this country.

Russia is a poor, backward country. It is just learning to walk industrially, but progress has been extremely rapid. You cannot make an absolute comparison because you have to know where Russia started and where America is today. Obviously, everybody knows that the Russian worker is not as well situated as the American worker who *works,* but I say there is an iron guarantee in the Soviet system that there will be no depressions, that there will be no unemployment, that there will be no decrease of production. There is, therefore, a definite promise that the status, the material status, of the Russian worker will rise continuously and uninterruptedly.

THE CHAIRMAN: Before I recognize another questioner, I must make one announcement to the audience here and to the radio audience, or rather a request. It is this, that we in the Foreign Policy Association office would appreciate very much suggestions as to the sort of topics you would like to have discussed in the future.

Please be quite frank in expressing your opinion about past topics and equally free in expressing your suggestions about future topics.

QUESTION: Mr. Fischer said no limit was put upon the clothing, and one could have six suits if he wanted them. Now I am quoting from such writers as Anna Louise Strong, who boast that the Russian people are

making sacrifices about clothing. *How will he reconcile it through these facts that have come through their own writers and how about Mme. Kollontay who got into disrepute with her own government because she dressed too finely?*

MR. FISCHER: I must first speak about the story referred to by the questioner, the story of Mme. Kollontay, the Soviet ambassadress to Sweden. About a year ago the papers announced that Mme. Kollontay had been withdrawn because the Soviet government disproved of the way in which she was dressing. Well, that simply wasn't true. She was not withdrawn. She is still the Soviet ambassadress in Sweden.

As to the question of sacrifices: The task of carrying out a Five-Year Plan of industrializing Russia is a very great and serious one. The Soviet government is building the foundation for the future. During that period it says to its citizens, much as a man going into business, opening a grocery store, would say to his wife: "We are just going into business, setting up an enterprise of our own. You will have to wait. You won't buy new furniture today. You can't get a fur coat this year. You will have to wait until we are started, until we are making some money." The Soviet government has to say that to its citizens in the same manner: "We are setting up business. We are building the foundation for a prosperous, rich future. You cannot have all the clothes that you would like to have today because we want you to have them two or three years from now."

It is very much like this: The Soviet government today doesn't emphasize the production of clothing, let us say, or houses. It says: "We will first make steel mills. We will first build railroads. We will first have tractors, because those advantages this year mean more shoes and more clothes next year. If we irrigate today in Turkestan, we will have more cotton next year, and more two years from today that will mean more shirts and trousers." In other words, the sacrifices of today mean that tomorrow there will be dividends.

I should say actually the dividends, the beginnings of dividends, are already there today and the emphasis in the second Five-Year Plan will be on articles of consumption for daily use rather than that great emphasis which has been put on the building of the foundation, on heavy industries during the first Five-Year Plan.

THE CHAIRMAN: We have just a minute and a half more. There was a question from the radio audience which I could read and simply answer in a word. It is addressed to Mr. Filene. It says: "To Mr. Filene: *Is the general cutting of wages part of the new capitalism?*" Mr. Filene authorizes me to say that it is not, and I should like to give Mr. Filene an opportunity to reply at length to that, but the exigencies of the broadcasting preclude, so the meeting is adjourned.

READING SUGGESTIONS

Beard, C. A. America Faces the Future. Boston, Houghton, Mifflin, 1932.

Crowther, Samuel. A Basis for Stability. Boston, Little, Brown, 1932.

Deane, A. L. and Norton, H. K. Investing in Wages. New York, Macmillan, 1932.

Epstein, Abraham. The Stabilization Nonsense. American Mercury, January, 1932.

Filene, Edward A. Successful Living in this Machine Age. New York, Simon and Schuster, 1932.

Fischer, Louis. Machines and Men in Russia. New York, Cape & Ballou. *To be published in May, 1932.*

Leighton, G. R. And if the Revolution Comes? Harper's Magazine, March 1932.

Lorwin, L. L. The Origins of Economic Planning. Survey, February 1, 1932.

A Panorama of Economic Planning. Nation's Business, February, 1932.

Social Economic Planning in the U. S. S. R.: Report of the Delegates from the U. S. S. R. to the World Social Economic Congress at Amsterdam. International Industrial Relations Association, 130 East 22nd Street, New York, N. Y.

Soule, George. A Planned Society. New York, Macmillan, 1932.

Thomas, Norman. As I See It. New York, Macmillan, 1932.

Tugwell, R. G. Flaws in the Hoover Economic Plan. Current History, January 1932.

FOREIGN POLICY REPORTS on RUSSIA

25c. a copy

THE POLITICAL STRUCTURE OF THE SOVIET STATE. *The Communist Party.* The background of the Bolshevik revolution, and the theories, organization and functions of the Communist party. Vol. VIII, No. 1, March 16, 1932.

The Government of the Union. Analysis of Soviet federal organization, with special reference to organs of economic planning, the courts, the G. P. U. and the Red army. Vol. VIII, No. 2, March 30, 1932.

FOREIGN TRADE POLICY OF THE SOVIET GOVERNMENT. Commercial relations with the leading States. Vol. VI, No. 20, December 10, 1930.

RUSSIA'S AGRARIAN PROBLEM. Vol. VI, No. 10, July 23, 1930.

RUSSIA AND CHINA IN MANCHURIA. Vol. V, No. 11, August 7, 1929.

THE UNITED STATES AND RUSSIA. Vol. IV, Part I, No. 25, Feb. 20, 1929; Part II, No. 26, March 6, 1929.